



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Heritage Community Bank - Subsidiary of: Regional Bankshares, Inc.

Person to be contacted regarding this report:	Jim Roberts
CPP Funds Received:	\$1,500,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/13/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2954415
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	35076
City:	Hartsville
State:	South Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	The Bank utilized a portion of the \$1.5 million obtained under the CPP to continue to provide loans in the Darlington, Chesterfield and Kershaw counties of South Carolina. Without these funds, it is likely that the Bank would have further reduced local lending during 2009.
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<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	
<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The Bank utilized a portion of the \$1.5 million obtained under the CPP to increase the Allowance for Loan & Lease Losses, particularly during the 1st quarter of 2009.

<input checked="" type="checkbox"/>	Reduce borrowings	The Holding Company utilized a portion of the \$1.5 million obtained under the CPP to repay \$300,000 in debt. This partial repayment of debt was due to a change in terms imposed by the lender due to the Holding Company not being in full compliance with all covenants and conditions of the note.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	One of the Bank's top priorities has been to maintain a strong capital position, and our participation in the CPP helped protect the bank against a protracted economic downturn.

What actions were you able to avoid because of the capital infusion of CPP funds?

As stated above, The Holding Company utilized a portion of the \$1.5 million obtained under the CPP to repay \$300,000 in debt. This partial repayment of debt was due to a change in terms imposed by the lender due to the Holding Company not being in full compliance with all covenants and conditions of the note.

Without these funds, it is likely that the Bank would have needed to either:

1. Raise additional capital during a time when traditional sources of capital were unavailable, or
2. Upstream funds from the Bank to the Holding Company in order to maintain operating funds

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

CPP CAPITAL DEPLOYMENT PLAN - SUMMARY

Initially, the Company approved a two stage CPP Capital Deployment Plan in order to ensure that the funds received were utilized in a constructive manner. Should the economy further deteriorate, the Company wanted the option of utilizing all of the CPP funds to bolster the bank's capital and continue lending to credit worthy borrowers. Should the economy improve, the Committee wanted to be able to easily return excess funds under the Treasury's guidance. The approved plan consisted of the following two stages:

- Stage One – Move 50% (\$750k) of the CPP funds from the HC to the Bank by 3/31/2009
- Stage Two – Leave 50% (\$750k) of the CPP funds at the HC level for 90 days, then re-evaluate

This two stage approach worked well as both the Holding Company and the Bank utilized portions of the CPP funds during 2009.

The Holding Company was required during the 3rd quarter of 2009 to repay \$300,000 toward a \$700,000 note due to covenant contraventions. The Bank was able to sufficiently increase the Allowance for Loan & Lease Losses without significantly reducing local area lending.

EXIT STRATEGY

The Company's strategy and timeline for repaying the Treasury and repurchasing the Preferred Stock and the Warrant Preferred Stock is dependent upon many factors including the ongoing economic environment, the financial performance of the Bank and loan demand (for desirable credit) in the Bank's markets. However, generally speaking, it is the Company's plan to fully redeem the Treasury's investment in the Bank no later than five years from the closing date of the transaction, February 13, 2014.

See comments

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

See comments above.